



Telus Corporation vs. BCE Inc.: Which Is the Best Investment?

Description

Vancouver-based **TELUS Corporation** ([TSX: T](#))([NYSE: TU](#)) has aggressively extended its reach across the country and has stayed primarily focused on delivering a variety of wireline and wireless products and services.

Montreal-based **BCE Inc.**([TSX: BCE](#))([NYSE: BCE](#)) has expanded its operations into the broader media market, opting to own content as well as distribute it. Along with its wireless and wireline businesses, BCE's media division owns sports, TV, radio, and advertising assets.

These two Canadian giants are battling it out with wireless leader **Rogers Communications Inc.** ([TSX: RCI.B](#))([NYSE: RCI](#)) for a greater share of Canada's residential and business markets.

Both BCE and Telus released their Q2 2014 earnings on August 7. Let's take a look at some of the key components to compare how these companies did and see which one deserves your investment money.

BCE Inc.'s results

BCE reported net Q2 adjusted EBITDA of \$2.144 billion, up 3.8%. Adjusted earnings per share were \$0.82. Analysts were looking for \$0.84 per share, so the company missed expectations.

Its wireless division added 66,186 net postpaid customers, and the net addition for Q2 2013 was 96,390 subscribers. Postpaid customer churn, or the percentage of customers the company lost, came in at 1.16% compared to 1.27% a year ago. Even better, strong data usage helped increase the blended average revenue per unit, or ARPU, by 4.6% to \$59.49.

BCE's wireline division's adjusted EBITDA fell 2.7% compared to the same period in 2013. Fibe TV had 46,533 net new activations compared to 50,555 in Q2 2013. It attributed the drop to competition with promotions from cable operators.

Its media division delivered adjusted EBITDA of \$210 million, up 34.6%. The company said the gains came from higher advertising and subscriber fees connected to its Astral acquisition, along with rate

increases for specialty channels and mobile TV subscription growth.

Telus Corporation's results

Telus reported net Q2 adjusted EBITDA of \$1.07 billion, up 7.5%. Earnings per share came in better than expected at \$0.62. Analysts were looking for \$0.58.

The company's wireless division added 78,000 net postpaid customers, and the net addition for Q2 2013 was 79,000 subscribers. Telus said it lost 20,000 low-ARPU prepaid customers during the quarter. Postpaid customer churn came in at 0.90% compared to 1.03% a year ago. Its blended ARPU increased 2.3% to \$62.51.

Its wireline division's adjusted EBITDA increased 3.1% compared to Q2 2013 and TV net additions totaled 23,000 compared to new activations of 31,000 in Q2 2013. The company attributed the drop to slower market growth.

The bottom line

Telus had a better second quarter than BCE. Telus continues to earn more per wireless user and has a lower churn rate among its postpaid wireless customers.

Both companies continue to add new wireless and TV subscribers, although the TV growth rate has slowed. In contrast, BCE's media division continues to grow and is expected to play a larger role in the company's future earnings.

Long-term investors can be comfortable holding both BCE and Telus. However, Telus is delivering better results in both the wireless and wireline businesses at the moment. Given its strong overall performance, I would pick Telus over BCE at this point in time.

Telus currently pays a dividend of \$1.52 yielding about 4%. BCE pays \$2.47 yielding about 5%.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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